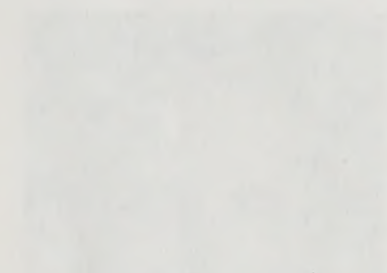


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MESSAGE FROM THE MINISTER



In the Ministry of Energy, Science and Technology, we are working to ensure that Ontario's energy and science sectors are at the forefront of energy and science policy and innovation. We are committed to ensuring that Ontario's energy and science sectors are at the forefront of energy and science policy and innovation.

It is our goal to ensure that Ontario's energy and science sectors are at the forefront of energy and science policy and innovation.

MINISTRY OF ENERGY, SCIENCE & TECHNOLOGY

1998-1999 Business Plan


The Ministry of Energy, Science and Technology is pleased to present our 1998-1999 Business Plan. This plan outlines what we want to achieve over the next year of operations. In a year, I see how we can continue to lead, innovate and compete with the best in the world. We will give all of our employees the opportunity to share in the success of our expanding knowledge-based economy.

We want to keep Ontario on the leading edge of technological and scientific innovation. We want to be a model for the world in how we do things. We want to be a leader in the world. We want to be a leader in the world. We want to be a leader in the world. We want to be a leader in the world.



Ontario

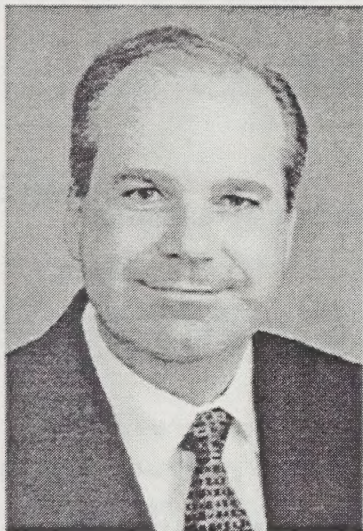
Ministry of Energy, Science and Technology



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MESSAGE FROM THE MINISTER



Hon. Jim Wilson

At the Ministry of Energy, Science and Technology, we are working to ensure that all of us in Ontario can continue to enjoy supplies of energy which are safe, reliable and environmentally sustainable. We plan to open up energy markets to competition to achieve the lowest possible prices for consumers while creating jobs and expanding opportunities for economic development and investment in Ontario.

We are making progress in ending the monopoly of Ontario Hydro that has existed through most of this century. Moving to a competitive market for electricity at both the retail and wholesale levels will mean the lowest possible rates for electricity customers, more opportunities for investment, increased job creation and the potential for modernizing electricity generation and distribution in Ontario. As promised in the Speech from the Throne, we introduced a Bill to reform Ontario's energy industry which would include provisions for licensing energy

marketers in both electricity and natural gas, improving protection for Ontario consumers and establishing rules for how competitive markets would operate.

On the science and technology side, too, the potential for creating new jobs by applying the latest scientific developments holds the promise for an even brighter future. In the past 10 years, two out of every three new jobs in Ontario were created in the knowledge and technology-based industries. The 1998 Budget supported science and technology with a range of programs to encourage research and discovery as well as providing tax incentives and financial assistance to help ensure that our best and brightest remain in Ontario and do their breakthrough work here.

As Minister of Energy, Science and Technology, I am pleased to present our 1998-99 business plan. This plan outlines what we want to do in our first full year of operation. In it you'll see how we intend to ensure access to safe, reliable and competitively-priced energy supplies and how we'll give all Ontarians new opportunities to share the benefits of our expanding knowledge-based economy.

We want to keep Ontario on the leading edge of technological and scientific advancement. We want to become a model for the efficient and cost-effective production and marketing of electricity. We intend to do that by continuing to expand horizons, to build on our traditional strengths and assets and to tap the best the future has to offer by fostering a 'culture of innovation' in this province.

A handwritten signature in dark ink, appearing to read "Jim Wilson".

The Honourable Jim Wilson
Minister of Energy, Science and Technology

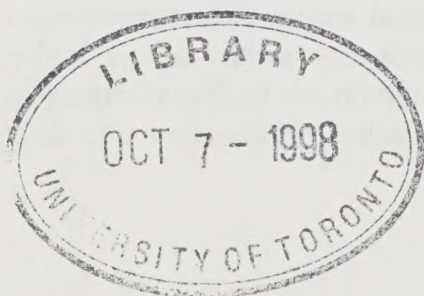
MINISTRY VISION

The Ministry's vision is of a province in which:

- energy supplies are safe, reliable and available at the lowest possible price
- energy production and use are environmentally sustainable
- energy is efficiently produced, used and conserved to promote economic development, increased jobs and investment
- all Ontarians are able to participate in the knowledge-based economy and share the benefits of scientific research, technology development and innovation.

To fulfill this vision, the Ministry will:

- subject to the approval of the Legislative Assembly, foster a competitive energy market and ensure an effective regulatory system which protects energy consumers
- remove barriers to increased energy efficiency in industry, businesses, homes and transportation and develop a more sustainable energy system
- position Ontario as the leading jurisdiction in the world for innovation; where science and technology fuel economic growth and create long-term, high value jobs
- identify opportunities to invest in science and technology and to use provincial investments to leverage financial support by the private sector and other parties to benefit the economy and people of Ontario
- help Ontario businesses, institutions and individuals to adopt new technologies and increase their ability to innovate; promoting economic development and job creation.



ANNUAL REPORT ON KEY ACHIEVEMENTS AND COMMITMENTS

1997-98 Achievements

Energy

Created on October 10, 1997, the Ministry made significant progress toward its goals of ensuring a safe and reliable energy supply at the lowest possible cost, environmentally sustainable energy production and use, and the efficient production, use and conservation of energy.

As its first major initiative, the Ministry released a White Paper on electricity restructuring and began moving forward to implement this policy direction -- ending Ontario Hydro's monopoly in electricity generation and transmission, and moving toward full competition at both the wholesale and retail levels

The Market Design Committee, which will advise the Minister on the structure of Ontario's proposed competitive electricity market, delivered its first interim report at the end of March.

A five-year freeze on Ontario Hydro average rates was maintained in spite of additional cost pressures arising from Hydro's Nuclear Asset Optimization Plan. The necessity for this long overdue plan was underscored by Ontario Hydro's revelations of declining performance in its nuclear plants. Ontario Hydro's investment in its aging nuclear facilities will restore and return them to their historically high performance standards

The Ministry supported the Ministry of Environment in its removal of the ban on incineration, permitting cogeneration of power at 'energy from waste' facilities.

Science and Technology

The Ministry increased support for research and development performed by universities and institutions in partnership with industry by establishing the Ontario Research and Development Challenge Fund, co-ordinating the first round of applications, and naming a board to assess them.

The Ontario Centres of Excellence were restructured after more than 10 years in operation to better put science and technology to work in Ontario. Seven Centres became four with a sharper focus on emerging sectors, backed by a five-year funding commitment supporting their work in earth and space technology, communications and information technology, advanced materials and manufacturing, and research in 'photonics', the use of light as in laser technologies.

Through 14 Telecommunications Access Partnership projects with the private sector, the Ministry accelerated the development of the information highway in Ontario and improved access to it across the province. Backed by a provincial investment of \$16 million, private industry contributed \$50 million to upgrade telecommunications networks with an emphasis on rural and remote communities.

The Ministry conducted a series of roundtable discussions with representatives of the fastest-growing sectors of the economy on ways to better use science and technology as tools for economic growth -- to foster the culture of innovation that will create the Ontario of the future.

1998-99 Commitments

Energy

On June 9, 1998, the Minister introduced legislation which, with the support of the Legislature, would end Ontario Hydro's monopoly and introduce competition to Ontario's electricity market. Subject to the Legislature's approval of this proposed Energy Competition Act, the Ministry would establish this new competitive electricity market by the year 2000, shaped by the research and recommendations of the Market Design Committee.

The Ministry will monitor the operation of the interim market for replacement power to ensure that diverse sources of power can compete on an equal footing.

Part of the bill's proposed energy marketing provisions would be regulations to license agents, brokers and marketers of natural gas and electricity to better protect consumers and establish standards for business conduct in this growing industry.

The bill also proposes changes in the *Ontario Energy Board Act* which set out the Board's expanded responsibilities in regulating the future competitive electricity market for the consideration of the Legislature.

As committed to in the White Paper, any changes to the electricity industry will include strong measures to protect the environment.

Science and Technology

The Ministry is conducting four "Innovation Summits" consulting with the business, research and investment communities on ways to create and promote a 'culture of innovation', using science and technology to spur economic growth. The Ministry will work closely with the Ontario Jobs and Investment Board to link this activity to the Board's development of an economic vision for the province.

Several new initiatives were announced in the 1998 Budget in support of job creation and expanding economic opportunities in Ontario's knowledge-based businesses. Following up on these Budget commitments, the Ministry will establish a 10-year \$75-million research excellence awards program to support promising researchers in their careers and help build stronger research teams, expanding the Telecommunications Access Partnerships and getting a total of 18 partnership projects up and running, co-ordinating a further two rounds of applications for the R&D Challenge Fund and investing \$100 million in new research proposals. This latter commitment will be supplemented through investments of \$45 million this year in matching funds for R&D infrastructure supported by the Canada Foundation for Innovation.

CORE BUSINESSES

The Ministry of Energy, Science and Technology has two core businesses: Energy, and Science and Technology.

Energy

The Ministry promotes an effective and efficient energy policy and regulatory framework to ensure competitive energy prices, a safe and reliable energy supply, environmentally sustainable energy production and use, and the efficient production, use and conservation of energy.

As outlined in the government's White Paper, *Direction for Change: Charting a Course for Competitive Electricity and Jobs in Ontario*, the Minister introduced a bill which would open Ontario's electricity market to competition, subject to the approval of the Legislature. Expected benefits include lower rates for consumers, more investment opportunities and increased job creation. The legislation also includes proposed provisions to license energy marketers in both the electricity and natural gas sectors. With the support of the Legislative Assembly, this would improve protection for Ontario consumers and establish the rules for a competitive market.

Science and Technology

Firmly positioned on the cutting edge of science and technology, Ontario recognizes the importance of research and development in contributing to job creation and the province's economy. The Ministry's science and technology activities help to create an awareness that this province is home to some of the most exciting growth industries in the high tech field, and is open for business when it comes to expanding these growth industries or bringing new ones to Ontario.

The Ministry acts as a facilitator between other ministries for activities related to science and technology, and ensures the foundation is in place for Ontario to continue to grow and prosper as a home of high tech industry in Canada. The Ministry also acts as an agent of change by linking complementary interests such as the industrial sector and the academic community, and encouraging them to work toward the common goals of cooperation, economic growth and job creation.

KEY STRATEGIES

Increasing Competition in Energy Markets

The Ministry will set direction for the Ontario energy sector by developing policy and a regulatory framework that protects energy users and fosters a competitive market, promoting efficiency and conservation, streamlining the regulatory process to reduce costs and promote competition, and developing an environmentally sustainable energy system.

In support of these initiatives, the Ministry will build partnerships with energy stakeholders to increase competition in our energy system, support economic development, encourage greater energy efficiency and reduce the environmental impacts of energy production and use.

With the support of the Ontario Legislature for its energy competition bill, the Ministry will ensure a safe and reliable supply of energy at the lowest possible cost. In addition, the Ministry will ensure that there is an effective government response to energy supply emergencies and system failures; that energy is produced and used with reduced environmental impacts; and that energy producers and consumers both contribute to meeting the government's environmental targets. The efficient production, use and conservation of energy supports economic development, leading to increased economic growth, jobs and investment.

The Market Design Committee provides the Minister with advice on the creation of a competitive electricity market. The Minister's Electricity Transition Committee provides the Minister with independent advice on matters related to electricity reform.

Deregulation of the Natural Gas System

The Ministry will enhance competition and consumer protection in the province's natural gas industry in consultation with the Ontario Energy Board, utilities and stakeholders, and provide advice on how natural gas markets can function more efficiently.

Liaison with Ontario Hydro and Municipal Electricity Utilities

During the transition to a competitive electricity market, the Ministry will work with key organizations, including Ontario Hydro, on implementing changes in electricity policy and the development of electricity rate options and levels. Since municipal electrical utilities serve almost three quarters of the province's electricity customers, they are a primary focus for ensuring understanding of new government directions and initiatives affecting municipal governance and restructuring which affect the utilities both as electricity customers and suppliers.

Ontario Energy Board

The mandate of the Ontario Energy Board will be expanded as part of the creation of the future competitive electricity market. A proposed *Ontario Energy Board Act* would set out the Board's expanded responsibilities and would also provide for greater flexibility in the regulation of natural gas utilities.

Promoting Investment in Science and Technology

The Ministry will work to ensure that Ontario's science and technology infrastructure is leading-edge and positioned to support economic development and job creation. The Ministry will document Ontario's ability to innovate and adopt new discoveries and technology; benchmark Ontario against other leading jurisdictions, and manage Ontario's statistical measurement of science and technology activities in partnership with Statistics Canada. The Ministry will also work to identify opportunities in markets and technologies likely to emerge in the next 10 to 20 years and ways to capitalize on them.

The Ministry will increase levels of investment by businesses in research, development and training by encouraging partnerships and collaboration through the Ontario Centres of Excellence, the Ontario Research and Development Challenge Fund and Telecommunications Access Partnerships.

The Ministry will also work closely with the Ontario Jobs and Investment Board on strategic skills initiatives, and with business to create a welcoming regulatory environment for new technologies and industries. It will position Ontario as an international leader in scientific research, technology development and innovation, and as a preferred location for the development of new industries and investment in new technologies and businesses.

Coordination of Government-Sponsored Science and Technology

The Ministry will coordinate science and technology policy development and activities across the Ontario government to make the most of the government's investment in its own research and science-related programs.

Developing a Science and Technology Strategy for Ontario

The Ministry will support the government's commitment to science, technology and innovation as a means to create jobs and ensure economic prosperity. It will do so by developing a "Science and Technology Strategy for Ontario", in consultation with key representatives from the business, investment, research and development communities as well as the knowledge-based industries.

Building a Culture of Innovation

Focusing on emerging and enabling technologies which are the front-line of innovation, the Ministry will help small and medium-sized companies adopt new technologies and increase their ability to innovate.

KEY PERFORMANCE MEASURES

CORE BUSINESS: Energy			
Goals/Outcomes	Measures	Targets/Standards	98-99 Commitments
Competitive energy prices	<p>Rank of Ontario energy prices when compared to competing jurisdictions (i.e. U.S. Great Lakes and industrial states).</p> <ul style="list-style-type: none"> - natural gas (Toronto) - industrial gas - residential electricity - commercial electricity - industrial electricity 	No increase in average electricity prices through 2000.	<p>Introduce legislation to restructure electricity market.</p> <p>End Ontario Hydro's supply monopoly by 2000.</p> <p>Work with Ontario Hydro and other stakeholders to manage transition to a competitive market.</p> <p>Ensure freeze on average electricity rates is maintained.</p> <p>Provide options for changes to natural gas legislation to facilitate deregulation while maintaining consumer protection.</p>

CORE BUSINESS: Energy			
Safe and reliable energy supply	Fuel shares for electricity generation in Ontario <ul style="list-style-type: none"> - nuclear - hydraulic - coal - natural gas - oil - other 	Ensure that Ontario has diverse sources of generation to maintain system safety and reliability.	Update emergency management plans to address issues identified during eastern ice storm. Monitor operation of interim market. Review Ont. Hydro quarterly audits of interim market to ensure diverse sources of supply can compete to offer replacement power to Ontario market.
Environmentally sustainable energy production and use	Renewable energy production <ul style="list-style-type: none"> - absolute - indexed 	Increase use of renewable resources such as wood, solar, wind, small scale hydro and energy from waste.	Ensure that competitively-priced renewable energy sources of supply are favoured in the interim market.
Efficient production, use and conservation of energy in support of economic development	Energy use per unit of economic output. Energy and dollars saved by consumers through improved energy efficiency of regulated products.	Achieve a 1.0 per cent per annum improvement in Ontario's energy efficiency. Achieve annual savings of \$230 million by the year 2000.	Restructure Ontario energy sector to encourage investment in greater energy efficiency, production and use.

CORE BUSINESS: Science and Technology			
Goals/Outcomes	Measures	Targets/Standards	98-99 Commitments
Increase industry funded research and development by universities and institutions	<p>(For R&D Challenge Fund) Value of contract research performed by universities and institutions funded by the private sector.</p> <p>Value of Canada Foundation for Innovation (CFI) investments in R&D infrastructure in Ontario.</p>	<p>In the next five years, the R&D Challenge Fund will:</p> <p>Increase by 5% the value of contract research performed by universities and institutions funded by the private sector.</p> <p>Secure Ontario's share of funding (\$360 million) over life of program.</p>	<p>Establish benchmark data for private sector funded contract research in Ontario universities.</p> <p>Test growth estimate (5%) against benchmarks and revise to exceed.</p> <p>Announce investments of \$45 million for Ontario R&D infrastructure to match CFI.</p>
	Value of industry funded research performed by Centres of Excellence.	<p>In the next three years, Centres will:</p> <p>Increase industry funded research by 20% from \$32 million to \$38 million.</p>	<p>Industry funding increases to \$35.2 million in 98-99.</p> <p>Number of firms participating increases from 1,100 to 1,200.</p>
Establish program of Research Excellence Awards per 1998 Ont. Budget commitment.	<p>Number of Research Excellence Awards made.</p> <p>Number of research positions involved.</p> <p>Amount of financial support from partners.</p>	By 2008, will have made 400 awards involving 1,000 research positions and leveraged up to \$25 million from partners.	<p>\$5 million in Research Excellence Awards announced.</p> <p>Framework developed to track and monitor program results.</p>

CORE BUSINESS: Science and Technology			
Goals/Outcomes	Measures	Targets/ Standards	98-99 Commitments
Increase access to information highway through public- private Telecommunications Access Partnerships (TAP) to upgrade telecommunications networks, especially in rural and remote communities.	Number of projects under way. Number of partners involved. - Resources (cash and in-kind contributions) from project partners.	Increase number of projects under way. Increase number of partners taking part. Increase contribution from project partners. Phase II (1998 Budget commitment of \$30 million) - by 2001, 30 new projects	- 18 TAP projects under way - 150 partners taking part - \$60 million in resources leveraged by TAP from project partners. Hold two competitions for Phase II - announce \$10 million in project commitments

1998-99 MINISTRY APPROVED ALLOCATIONS BY CORE BUSINESS — PLAN*

Ministry of Energy, Science and Technology		
Operating		\$161 million
Capital		\$45 million
		187 staff

Energy		
Operating	\$16 million	
Capital	0	
	145 staff	

Science and Technology		
Operating	\$139 million	
Capital	\$45 million	
	24 staff	

Internal Administration		
Operating	\$6 million	
Capital	0	
	18 staff	

Note: Staff numbers are shown as full-time equivalents.

*PSAAB based

**1998-99 is the ministry's first year in existence, so figures are not available for the previous year.

WHO TO CALL

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